



Auditor of Public Accounts
Adam H. Edelen

FOR IMMEDIATE RELEASE

Contact: Stephenie Steitzer
stephenie.steitzer@auditor.ky.gov
502.564.5841
513.289.7667

Edelen Releases Audit of Fulton County Fiscal Court

FRANKFORT, Ky. – State Auditor Adam Edelen has released the audit of the financial statements of the Fulton County Fiscal Court for the fiscal year ended June 30, 2012. State law requires annual audits of county fiscal courts.

The audit found that the county's financial statements, in all material respects, fairly present the county's assets, liabilities, and net assets arising from cash transactions and revenues received and expenditures paid in conformity with the modified cash basis of accounting.

As part of the audit process, the auditor must comment on non-compliance with laws, regulations, contracts and grants. The auditor must also comment on material weaknesses involving the internal control over financial operations and reporting.

The audit contains the following comments:

Local governments are required to pay for purchases within thirty days. Testing of expenditures revealed multiple invoices of the Road and Jail funds were being held in excess of thirty days. As a result finance charges and interest were incurred on some of these items.

K.R.S. 65.140 states, "...all bills for goods or services shall be paid within thirty (30) working days of receipt of a vendor's invoice except when payment is delayed because the purchaser has made a written disapproval of improper performances or improper invoicing by the vendor or by the vendor's subcontractor."

We recommend the fiscal court comply with K.R.S. 65.140 by paying all invoices for goods or services in full within thirty (30) working days of receipt of a vendor's invoice.

County Judge/Executive David Gallagher's response: All invoices are paid upon court approval. There may be a period up to 45 days between date of invoice and court approval. Recurring monthly obligations are not affected.

Fulton County Fiscal Court should strengthen internal controls over the financial reporting of capital assets and infrastructure. Significant deficiencies exist over the reporting of capital assets and infrastructure of Fulton County. The county's capital assets records were incomplete as to types of assets, depreciation expense, accumulated depreciation, and current year disposals.

Strong internal controls over capital assets are necessary to ensure accurate financial reporting as well as protect assets from misappropriation.

In order to strengthen the county's internal controls over capital assets and infrastructure, we recommend the county establish a detailed inventory system. This system should include a detailed description of the asset, an inventory control number or serial number, the date acquired, location, date destroyed or sold as surplus, and a brief description of why the asset was discarded. An inventory schedule of county assets should be updated throughout the year as new assets are purchased or sold. It should also be updated as to annual depreciation and accumulated depreciation amounts. We also recommend the county conduct a physical inspection of the county's assets at the end of each year to make comparisons to the county's list of inventoried assets.

County Judge/Executive David Gallagher's response: We are currently updating the GASB 34.

Auditor's Response: We were unsure as to whether the response meant that the county is updating the capital asset schedules to comply with GASB 34. Just as clarification, the county's records should be updated in a timely manner and made available during the audit. These records should be complete with capital asset purchases, disposals, and depreciation expense for the year.

Fulton County Fiscal Court should strengthen internal controls over the financial reporting of liabilities and debt service. Material weaknesses exist over the reporting of liabilities and debt of Fulton County. The June 30, 2012 outstanding debt balances reported on the 4th Quarter Financial Report were materially misstated when compared to the actual debt balances confirmed with lenders.

Strong internal controls over outstanding debt and liabilities are necessary to ensure accurate financial reporting. Therefore, we recommend the county strengthen internal controls over the reporting of debt service payments and outstanding balances. Internal controls such as comparisons of payment amounts and outstanding balances to amortization and payment schedules should be made regularly. We also recommend the county consult with its lenders to verify outstanding debt balances are in agreement. Such practices will strengthen internal controls over liabilities and debt service and ensure that proper amounts are reported.

County Judge/Executive David Gallagher's response: All paperwork and documents regarding outstanding debt and liabilities are current and provided to DLG.

Auditor's Response: The debt schedule provided to the auditors during the audit had not been updated and did not accurately reflect the debt obligations of the Fiscal Court for the audit period.

The debt schedule should be updated when changes to liability balances occur to ensure that proper amounts are reported.

The audit report can be found on the [auditor's website](#).

###

The Auditor of Public Accounts ensures that public resources are protected, accurately valued, properly accounted for, and effectively employed to raise the quality of life of Kentuckians.

For more information, visit auditor.ky.gov and follow Auditor Edelen on Twitter @AuditorKY, facebook.com/AuditorKY and youtube.com/AuditorKY. Call 1-800-KY-ALERT or visit our website to report suspected waste and abuse.